St. Elizabeth HEALTHCARE

My name is Garren Colvin. I am currently the Interim President and CEO of St. Elizabeth Healthcare. Today, I am speaking on behalf of the entire system and our Ft. Thomas facility located in Campbell County. We will have other speakers that specifically address issues or suggestions for St. Elizabeth Edgewood, St. Elizabeth Ft. Thomas, and St. Elizabeth Grant County because each of these facilities serves slightly different communities and roles.

St. Elizabeth Ft. Thomas is a 245 bed hospital serving close to 94,000 inpatients and outpatients annually and employing over 700 associates. Like all St. Elizabeth facilities, we are the safety net hospital for the community and have been serving the community for over 61 years. In 2013, St. Elizabeth Ft. Thomas provided over $7.4 million in charity care and experienced a loss of over $4 million on care provided to patients with Medicaid. Overall our system provides over $61 million in these two categories. The CON process has been a stabilizing force in our history and in the marketplace allowing this facility to continue to be able to meet its mission of providing care to all those who come to our door. Over the years, we have experienced many organizations who want to enter the market and only take patients with commercial insurance. This leaves a greater burden on our facilities to try to provide care to all those who seek care in our community.

St. Elizabeth does agree that changes need to be made in the health care delivery system to continue to control rising healthcare costs, assure quality and improve health but we believe the focus needs to be and is happening in the payment arena.. At St. Elizabeth Healthcare, we are developing the infrastructure necessary to enable us to provide the best quality of care at an affordable price. We have developed an integrated system of hospitals and physicians across Northern Kentucky connected through EPIC to assure better coordinated care. We are part of the CMS Comprehensive Primary Care Initiative (CPCI) focusing on creating medical homes for our patients in the community which will increase the focus on prevention, primary care and chronic disease management. None of these initiatives and enhancements to the delivery of care is impacted by the CON process. In fact, the CON process enhances the efficiency by avoiding unnecessary duplication of services and assuring high quality of care by centralizing patients requiring complex surgery or obstetrical care so the staff and physicians can develop op the expertise.

The Affordable Care Act did allow for the expansion of coverage of and the hospitals are now being paid for the care that was formerly provided by safety net hospitals like ours, but not reimbursed because these patients did not have insurance. Because this has been a shift and not

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an increase in the need for care, access has not been an issue. CON helps assure access to low-income patients. If CON didn't exist or is loosened, access will become an issue. New providers who come into a market often only take commercial patients, reducing the ability of the safety net hospitals to continue to maintain financial viability. This is real and has been the experience in states that eliminated CON. Unfair competition causes hospitals to go out of business or reduce safety net services. In Ohio, our neighboring state, 11 inner-city hospitals and 6 rural hospitals closed after CON was eliminated. At the same time, Ohio saw a significant increase in the number of profit-driven facilities with a 600% increase in Ambulatory Surgery Centers, a 548% increase in MRIs and a 280% increase in Radiation Therapy Centers. Any time there is an investment in a new facility like this, the costs need to be covered and this can sometimes lead to an increase in unnecessary procedures. The Cabinet needs to consider the total costs of expansion of capital costs to the system in making its policy decision. Adding to the unfair competition is the fact that freestanding facilities do not pay the Provider tax. If there is change in the SHP criteria that allows for more facilities, this needs to be addressed and all providers need to share in the tax.

In terms of quality, CON has worked to assure that there are adequate volumes for facilities and physicians to develop the expertise needed to provide high quality care. Kentucky has carefully evaluated when services reach a point that where evidence has shown that care can be provided safely at lower volumes. The PCI program was a great example of this approach and has assured that patients in Kentucky are receiving the same level of care across the state. This should continue to be done a service by service basis vs. loosening the criteria and hoping for the best.

A final topic I want to touch on is the misnomer of the impact of competition on lowering prices. Healthcare is an extremely complex world where most the care provided is covered by government sources and fixed payments. It does not matter what a hospital or freestanding facility charges, they are paid a fixed amount. Most hospitals have over 50% of their payer sources as Medicare and Medicaid. In rural areas, this is closer to 90%. At Ft. Thomas, 82.3% of the patients have Medicare, Medicaid or are uninsured. Medicare pays the same DRG payment to all hospitals in a region. Medicaid has moved to negotiated rates that don't cover the costs of providing the care so even if pricing were competitive it wouldn't matter. Employers via their insurers have also begun to cap rates or shift more risk to the providers or employees. This significantly limits the amount a provider can charge and even when there is a charge, the patients are not able to pay the co-pays and deductibles so bad debt expense has risen.

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In conclusion, Kentucky needs to support its hospitals that are often the largest employer in their community and have been committed to their communities for many, many years. As stated in the beginning of my remarks, the CON process stabilizes the market and creates a fair playing field for competition while assuring access and quality.

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